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Stop socialism's; Capitalists need to answer Piketty, the French economist who now seems to be running the ideological show

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Body

One of U.S. President Joe Biden's great economic insights, uttered way back in April 2020, came as part of his pre-election justification for a massive \$2-trillion spending plan. "Milton Friedman," said the future president as he outlined plans to blow up U.S. fiscal policy, "isn't running the show anymore."

At least Biden got one thing right: Milton Friedman, as anyone who follows economic history knows, was one of the leading intellectuals behind many of the policies that helped propel a global free-market economic boom through the later years of the 20th century. "Finally, a Democratic president is turning the page on a legacy of ruin," reads the subhead of "The End of Friedmanomics," a gross hatchet-job written by Zachary D. Carter and published last June in The New Republic.

With the rise of Biden and the American left, the great Nobel economist has been slandered and cast aside, his ideas on free-market capitalism and monetary policy thrown into the dustbin. The Biden agenda, promoted by the Democratic Party's left flank, takes aim at the alleged central flaw of capitalism - inequality - with a massive expansion of government interventions.

As the National Post's year-end exploration of the triumph of capitalism and the 30th anniversary of the collapse of the Soviet Union's centrally planned and state-managed economic fiasco makes clear, it is the legacy of the theories on the other side of the economic spectrum, those that promote various forms of socialism over the market capitalism championed by Friedman and many other economists going back 300 years, that leave the true legacy of ruin.

Carter's attack on Friedman, intended as a put-down of market capitalism itself, has been discredited by numerous free-market economists, including the Hoover Institution's David Henderson and Stephen Williamson, a monetary economist at the University of Western Ontario. After running a "truth test" on Carter's claims on Friedman's influence over monetary policy, Williamson wrote that, "My bulls-t meter was flashing red. I'm going to dismiss the article to Mount **Doom**, hopefully never to be read again by human beings."

That, alas, may not happen soon, for it is indeed true that a decade-long leftist academic rampage against capitalism is now zoning in on policy-making in the United States, Canada, Europe and much of the rest of the world.

If Milton Friedman is not running the economic show, then who is? Who is the leading economic thinker bending the ears of politicians and intellectuals around the world, from the president of the United States on down to high school teachers warping the minds of youth, instructing them on the evils of liberal capitalism and urging new policies imported from the hard left? I nominate Thomas Piketty, the famed "rock star" French economist whose sole aim is

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to flatten the curve of inequality by building back socialism better than the old Soviet dictators could. Piketty's fingerprints are everywhere, including the recent election of leftist Gabriel Boric as president of Chile, an electoral tilt that could have a major impact on political developments throughout South America.

Days before Chile's Dec. 19 runoff election, Piketty led a group of European leftists who signed a "Manifiesto Europeo" in support of Boric and calling for a rejection of neo-liberalism in favour of a "redistributive" socialism and a reversal of the liberal economic reforms installed almost 50 years ago by Chile's military leader, Augusto Pinochet.

How ironic. Today Chile has Piketty. In the late 1970s it had Milton Friedman, who had a role in turning Chile's inflation-cursed moribund economy into what Friedman described as an economic "miracle," in the sense that inflation had been reduced and some free-market reforms introduced. The left has constantly attacked Friedman's record in Chile, even though his monetary and other suggested market-based reforms helped lift the country's per capita gross domestic product by around 1,850 per cent since 1975, to over \$14,000 in 2019.

The world will now watch as Chile follows Piketty into a socialist future. It may not be pretty.

The French socialist economist is not alone in promoting the demolition of free markets, free trade and economic liberalism. Others include Mariana Mazzucato (author of "The Entrepreneurial State") and progressive capitalism advocate Joseph Stiglitz, who ritually attacks the free-market corporate model that has propelled the world to new heights of income and wealth.

But Piketty is in a class of his own, a productive generator of socialist ideological tomes, including a 1,100-page epic, "Capital and Ideology," which was published in English last year, and his 2014 inequality best-seller, "Capital in the Twenty-First Century." Piketty's latest book, "Time for Socialism: Dispatches from a World on Fire, 2016-2021," is a trim 350-page collection of his columns for the French daily Le Monde, introduced with a newly written essay titled, "Long Live Socialism!" Earlier this month, one of Piketty's organizations, the World Inequality Lab, issued its 2022 report, which claims, as usual, that the world is on fire and can only be rescued with socialist firefighters who will drown the problem with "significant redistribution of income and wealth." The report has been criticized as statistically uncertain, including by the Wall Street Journal, which noted that wealth and income levels have in fact increased.

But picking at Piketty over data misses the real point. The issue is not the alleged objective, inequality, but the method by which equality is to be pursued.

Fittingly, Piketty begins his new essay with a look back at the collapse of the Soviet Union. The multi-nation communist dictatorship was dissolved 30 years ago this week, on Dec. 26, 1991. At the time, Piketty claims, he had a dim view of communism. "Born in 1971, I belong to a generation that did not have time to be tempted by communism. Like many, I was more liberal than socialist in the 1990s," he writes. Piketty claims his youthful self "could not stand those who obstinately refused to see that the market economy and private property were part of the solution" to the world's economic and political woes.

In the 30 years since the fall of the Soviet Union, Piketty has become one of the world's leading gurus of socialism and anti-capitalism. He claims that "hyper-capitalism" has gone too far and is "now convinced that we need to think about a new way of going beyond capitalism, a new form of socialism, participative and decentralized, federal and democratic, ecological, multiracial and feminist."

Piketty writes about the Soviet experiment as if it were a noble project that, unfortunately, failed to properly implement the right policies to bring about the desired socialist egalitarian objectives.

As he puts it in "Capital and Ideology": "To study the Soviet Communist experience today is first of all to try to understand the reasons for its dramatic failure, which still weighs heavily on any new attempt to think about how capitalism might be overcome." This failure to grasp the nature of what went wrong with the Soviet experiment "is also one of the main political-ideological factors responsible for the global rise of inequality in the 1980s."

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The collapse of the Soviet system of state control, laments Piketty, "contributes to today's sense of disillusionment and to a certain fatalism when it comes to dealing with inequality." No doubt that's true. Statues of Stalin have been toppling across Eastern Europe for decades.

Piketty believes, however, that post-Soviet doubts about the merits of the socialistic pursuit of anti-capitalism and equality can be overcome - "provided that we follow the thread of this history back to its origin and fully absorb the lessons it has to teach."

Two lessons are identified.

The first mistake of the Soviet model was the abolition of private property, an ideological stance that "refused to allow anything but strict state ownership lest private property find its way into some small crevice and end up infecting the whole system."

The abolition of private property automatically produced the second fatal lesson learned by Soviet power brokers. State control of property, including all businesses and production, created the socialist quagmire known as the "economic calculation problem." This monumental obstacle to progress was identified by free-market economist Ludwig von Mises 100 years ago, just after the Soviet communists embarked on their 1917 socialist nationalize-everything experiment.

Without private property in capital goods, argued Mises in his brilliantly predictive 1920 paper on socialist planning, there can be no real pricing and hence no data available for cost accounting. "Production becomes random at best, and completely irrational," which is exactly what happened in the Soviet Union.

One hundred years after Mises, Piketty acknowledges Mises' conclusion that socialist state planners cannot possibly manage an economy. So, what is to be done? Piketty proposes a new system that, ironically, draws on an idea from one of the great Soviet bunglers, Vladimir Lenin.

According to Lenin, writing in 1918, the socialist planners must "bring statistics to the masses, make it popular, so that the active population will gradually learn by themselves to understand and realize how much and what kind of work must be done, how much and what kind of recreation should be taken, so that the comparison of the economy's industrial results in the case of individual communes becomes the object of general interest and education."

In a variation on Lenin's plan to bring statistics to the masses, Piketty has devised an elaborate scheme to overthrow what he calls the "hyper-capitalism" of property rights and inequality and replace it with a new and improved economic system called "participatory socialism."

Instead of abolishing private property and nationalizing industry under bureaucratic control, 21st-century participatory socialism would broaden control over the means of production - today's shareholder corporations - via "better sharing of power in companies." Citing the German corporate co-management model, which involves some employee participation in top management, Piketty expands on the idea. In his new "Time For Socialism" essay, he argues that employee representatives should have 50 per cent of voting rights in all companies, including the smallest.

This is Piketty's model for bringing Lenin's "statistics to the masses" plan into action. Bypassing bureaucrats and state planners, the new model puts employee masses in partial control.

In many respects, Piketty's corporate control model can be seen as an extreme version of the current global stampede into environment, social and governance (ESG) corporate control systems. With corporations now attempting to operate under internationally mandated ESG rules, part of Piketty's participatory socialism is already being installed.

A subtitle for this model might be, "How to Eliminate Entrepreneurs from the Economy." How far would the world's entrepreneurs - from Henry Ford to Elon Musk - get under such a system? In his fascinating 2018 book, *American*

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Capitalism: A History, former U.S. Federal Reserve chair Alan Greenspan tracks three centuries of American entrepreneurs as "the heroes" of a system that produced the greatest economic machine the world has ever seen. Collective corporate decision-making would guarantee that there would be no billionaires around to blame for whatever might be wrong with the world.

But Piketty does not stop with mere corporate governance reform. To control hyper-capitalism, he calls for a new tax-driven wealth and property redistribution regime.

Wealth must be transferred to the bottom of the inequality curve. Piketty proposes a "minimum inheritance" or "universal capital endowment" paid out to all citizens at the age of 25. He estimates the lump sum payment at US\$180,000 (\$232,750) for the United States. This would increase wealth and presumably income at the bottom, thereby instantly reducing inequality.

To pay for this mass transfer, Piketty proposes a system of progressive property and inheritance taxes, plus a system of progressive income taxes, social contributions and carbon taxes.

Piketty adds that "some people will consider excessive the tax rates in the 80-90 per cent that I plan to apply to the highest incomes, estates and assets." But that is what it will take, he says.

On carbon taxes, Piketty suggests installing "an individual carbon card to protect low incomes and responsible behaviour, and to concentrate efforts on the highest individual emissions, which would be heavily taxed."

In summary, Piketty says his plan would aim to bring in the "ideal society." It would be an egalitarian utopia where "everyone would own a few hundred thousand euros (C\$400,000), where a few people would perhaps own a few million, but where the higher holdings ... would only be temporary and would quickly be brought down by the tax system to more rational and socially more useful levels."

Piketty praises U.S.

Democratic party leftists Bernie Sanders and Elizabeth Warren and urges Biden to adopt their proposals to impose a wealth tax on top billionaires.

As Piketty moves through his "Long Live Socialism!" essay, he urges all of us to "turn our backs on the ideology of absolute free trade" and adopt his "participatory socialism" based on the "permanent circulation of power and property, social federalism, and sustainable and fair globalization."

Piketty goes on from there, but throughout his volumes of books and published work I can find no place where he solves the core economic problem that led to the collapse of the Soviet Union 30 years ago. While he acknowledges that the communists failed to work out how to manage a productive economic system in the absence of property rights, he does not explain how his massive non-market interventions in property rights and economic decision-making will fare any better than the Soviet model served Russia or its satellites.

Also missing from Piketty's work is an exploration of the moral issues involved in a collectivist confiscation of property, wealth, income and rights in the name of the only moral issue he seems to hold dear: inequality.

Let's be clear: the chances of a full Piketty neo-communist revolution taking hold are remote. But his influence permeates the political realm and shapes many of the dominant policy ideas circulating on the left, from wealth taxes to takeovers of corporate control. Talk of socialism in America has been everywhere, and has not receded.

Like many on the left, Piketty is a reflexive ideological opportunist, ready to adapt climate and carbon control to fit his egalitarian vision. He also follows the Build Back Better fixation on using the COVID-19 pandemic as a marketing opportunity for using corporate control and wealth taxes to force equality on Biden's America.

Internationally, Piketty's inequality movement has become an ideological springboard.

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Asian commentator Andrew Sheng, writing in the Korean Herald, recently called for a global summit on inequality. A similar call went out the other day from India.

The free-market capitalists of the world - from workers who value their freedom to corporate executives and owners - must begin to see the risks rising on the left beyond their grovelling public performances on ESG and other anti-capitalist crusades, and begin to unite against them. There is a pressing need to stand up to the socialist movement Piketty represents.

What will it be: Piketty or Friedman? To get a head start on the project, the following is a list of 10 of the top books that explore the merits of free-market capitalism over interventionist socialism - as selected by four National Post columnists. !@COPYRIGHT=© 2021 Postmedia Network Inc. All rights reserved.

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